Off-price stores: a retail happening

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REGIONALS

CAN THEY STAND THE HEAT

TWO DOLLARS PER ISSUE

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Off-price happening

What do K mart, Dayton Hudson and Woolworth, among others, have in common? All have off-price ventures to one extent or another. Spurring this diversification is the promise of profitability for earnings-hungry GMers. Although industry growth projections vary widely, off-price diversification is a veritable retail happening 21

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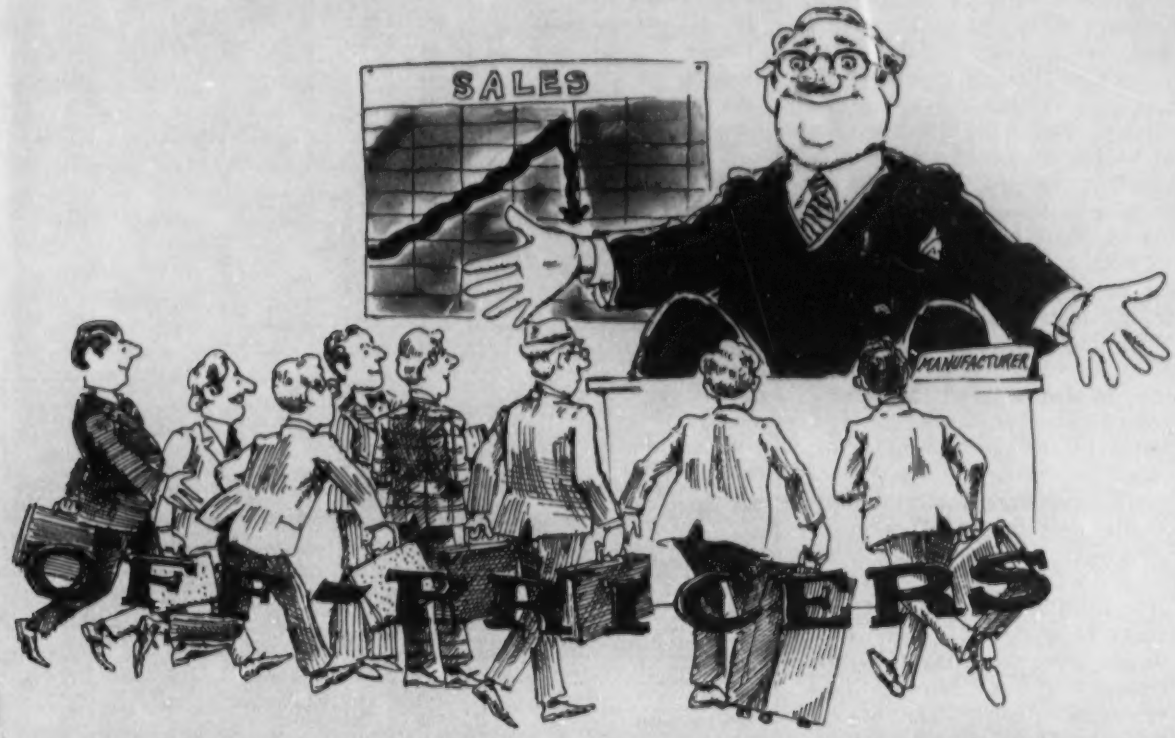


Off-price stores: a retail happening

Spurring the move into off-pricing is the promise of profitability for earnings-hungry GMers.

☐ When Jim Dismore set off on a shopping expedition last June, he left Jackson, Miss., worried. Dismore wasn't sure how Seventh Avenue was going to react to his hunt for off-price apparel for a spin-off operation his variety chain, W. E. Walker Stores, was planning.

"Initially, resources were not very responsive," Dismore recalls. "Once they realized our plans had nothing to do with our company directly, they were much more comfortable."

"We've gone from being thrown out to being invited back," says Greg Cichocki, mm for Gold Circle's off-price department commenting on vendor reaction to his inquiries about off-price deals. "It all depends on their problems. If the vendor needs off-price, we're welcomed with open arms."

Dismore and Cichocki are only two of the converts joining the flock of traditional general merchandise merchants "pounding the pavement," as Cichocki puts it, in search of opportunistic off-price apparel buys. Dayton Hudson, Carson Pirie Scott, K mart, Woolworth, Zayre, U.S. Shoe . . . all have off-price ventures to one extent or another.

Spurring this diversification is the promise of profitability for earnings-hungry GMers. With gross margins averaging 40% and annual turns pegged at nine times, off-price's gross margin return on investment (GMROI) rings up to 360.0. That is, for every dollar investment in inventory, the retailer reaps $2.60 in return. And numbers like that are bait enough to make off-price diversification a veritable retail happening.

How far the off-price shock waves will carry is anyone's guess, and industry projections vary widely. Consultant C. William Ress predicts off-price will grab 25%-30% of all brand name soft lines sales.

Over the next three years, off-price's compound sales growth will run at 16.2% annually, projects a just-concluded Management Horizons study. From 1986-90, this rate will accelerate to 16.6% per year. This pace would put off-price's share of the total apparel/footwear market at 9.2% by decade's end with volume climbing from $3 billion in '79 to $16.8 billion by '90.

"Recent developments, such as K mart's entry and Dayton Hudson's plans, could speed up penetration significantly," says John Lefler, Management Horizon's off-price analyst. Faster growth, Lefler adds, could drive off-price's share of apparel and footwear sales to roughly 20% by 1990.

But breakneck growth poses its own problems. Dr. William Davison, chairman of Management Horizons, notes, "Unlike video games,

which are bringing new people into the business, off-price is not expanding demand for apparel. Off-price is growing by taking a share of the existing market."

Once off-price hits a market penetration level of 15% to 20% of apparel sales, Davison explains, competition will jump tracks from intertype—expansion at the expense of traditional GMers—to a toe-to-toe slugfest among off-pricers themselves. Pressures will mount to drop new stores into high-rent districts, beef up ad outlays and build store clusters to bolster market share as off-pricers elbow for a distinctive edge.

"In short," Davison predicts, "off-price will become like every other retailer with all the accompanying expenses."

Already, the pinch on costs appears to be tightening. An American Apparel Manufacturers Association poll found off-pricers averaged 4.1 employees per store in '81 and 4.8 in '82.

The right formula: "It's not very difficult to be successful today considering how relatively few [off-pricers] there are," notes Allan Pennington, Woolworth's exec. vp/marketing. "A lot of people are experimenting and the ones that hit the right formula first will succeed."

Experimenting has off-pricers scrambling for niches. Gold Circle's narrow and deep strategy in moderate women's sportswear was planned. "We went where the opportunity was," says George Rubin, sr. vp/gmm soft lines.

W. E. Walker's Price Connection test, set to debut in eight stores next month and highlighting sportswear, will feature moderate price points. "Blouses will be priced at $25 to $30 and down," Jim Dismore reports, "and slacks prices will be $35 and down."

Called Plums (with a tag line on all signing hailing the stores as 'The Elegant Discounter'), Dayton Hudson's three-store venture is also expected to bow next month in a reportedly upscaled format. The stores will combine "elements of both off-price and discount retailing," says corporate chairman William Andres. The emphasis will be on continuity in assortments with a mix of moderate to better apparel for women and men, with the exception of dress suits.

Opportunities knock, but niches may fill quickly

	No. of stores	% of total off-price stores	% of total off-price apparel stores	% of total off-price nonapparel stores
Women's apparel (total)	1,109	23.2	28.6	—
Dresses, coats, sportswear	990	20.7	25.4	—
Lingerie	52	1.1	1.3	—
Maternity	53	1.1	1.4	—
Outerwear	11	0.2	0.3	—
Uniforms	3	0.1	0.1	—
Men's apparel	211	4.4	5.4	—
Children's apparel	226	4.7	5.8	—
Men's and women's apparel	126	2.6	3.2	—
Family apparel	638	13.3	16.4	—
Family accessories (total)	76	1.6	2.0	—
Leather goods	43	0.9	1.1	—
Jewelry	11	0.2	0.3	—
Other	3	0.5	0.6	—
Activewear	79	1.6	2.0	—
Outerwear (total)	77	1.6	2.0	—
Family	27	0.6	0.7	—
Men's and women's	50	1.0	1.3	—
Footwear	1,351	28.3	34.7	—
Total apparel	3,893	81.3	100.0	—
Domestics	383	8.0	—	43.2
General merchandise (total)	100	2.1	—	11.3
Chain store outlets	16	0.3	—	1.8
Other	84	1.8	—	9.5
Housewares (total)	181	3.8	—	20.5
Glassware	56	1.2	—	6.3
Other	125	2.6	—	14.2
Hardware (total)	108	2.3	—	12.2
Power tools	99	2.1	—	11.2
Paint and wallpaper	9	0.2	—	1.0
Food	30	0.6	—	3.4
Home furnishings	23	0.5	—	2.6
Hobbies and crafts	18	0.4	—	2.0
Books and paper supplies	14	0.3	—	1.6
Sporting goods	13	0.3	—	1.5
Toys	3	0.1	—	0.3
Consumer electronics	12	0.3	—	1.4
Total nonapparel	885	18.7	—	100.0

Source: Iris Ellis, *Save On Shopping* and The Doody Co.

T. H. Mandy, described by most market watchers as the "Cadillac" of the off-price fleet, is as service-intensive as any other specialty division of its parent, U.S. Shoe. Corporate's other off-price entry, Front Row, is a multiclassification store. There are currently two Front Rows and U.S. Shoe chairman Philip Barach says 19 more could open over the next five years generating $250 million in volume.

With Final Cut testing activewear and Frugal Frank selling shoes, the centerpiece of Woolworth's off-price stable is *J. Brannam. While adding 30 Brannams over the next two years, chief exec Len Williams reports the new stores will be repositioned and upgraded and "we plan to go back and refurbish the existing stores. We've decided on a strategic position we want to take in the market and that's where we want to be."

Getting there, however, will cost. With an operating loss of $4 million in '81, Brannam has yet to hit the black after three years and Woolworth topsiders fear capital spending will hurt profit prospects this year.

This fast-track development is one reason John Cullen, exec. vp of Allied Stores, predicts off-price will peak in '84 as the industry quickly saturates the retail scene. But off-price's ability to revitalize last gasp

Most market watchers describe U.S. Shoe's T. H. Mandy as the "Cadillac" of the off-price fleet.

retail space is considerable and 47% of all off-price malls are conversions of former retail space, reports Mike Gade of The Doody Co.

Indianapolis' Eastgate Mall is a prime example of off-price's rejuvenative powers. Opened in 1957 as a suburban shopping center, by '80 only 15% of the 300,000 sq. ft. was leased. Developers Melvin Simon & Associates recycled the center which reopened as an off-price mall last August. First-week volume was a reported $1.5 million with only 60% of the merchants operating. "Our sales are running at about $500 a gross foot," claims one mall source.

Finding space is only one hurdle. Getting goods could be the toughest challenge, says John Cullen, hitting the most controversial issue swirling around off-price retailing.

Concern heightened: Gold Circle's George Rubin admits K mart's drive into the off-price fray has heightened his concern that the merchandise well might run dry. And for good reason.

K mart is testing in-store off-price apparel sections and chairman Bernard Fauber says a "large number of upgraded apparel departments will be opened" this year. K mart's off-price offspring, Designer Depot, opened in St. Clair Shores, Mich., in early December with sources estimating opening day volume at $165,000, or 17.5% of inventory. Insiders say K mart could add 200 Designer Depots over the next two years.

With the off-price ranks estimated at just over 10,000 units, a chainwide rollout of off-price areas in K mart's discount stores alone would increase the number of merchants elbowing for goods by 20%.

Merchandise is readily available today, a fact Cullen blames on the sluggish economy. "You have to understand that much of this merchandise is produced off-shore with at least one-year lead times," he explains. "No one could foresee this economy so the goods are there."

Many market watchers disagree. Allan Pennington argues that resources are building off-price demand into production schedules. William Davison adds, "If all the goods available today are overruns, the industry is in sad shape."

"It's a simple matter of economics," explains Kurt Barnard of the

Melvin Simon's Eastgate Mall is a prime example of recycled retail space.

Off-price thrives on price war confusion

☐ "I've learned that the name brand represents the quality of the product," says Katherine Gray, a fashionable Los Angelano who earns $42,000 a year and spends most of her apparel dollars at off-pricer Loehmann's.

Gray's comment pretty well sums up what most market analysts see as the off-price industry's sexiest come-on—the consumer's demand for quality goods, or a perception of quality, at palatable prices. And research indicates it's a pitch traditional GM retailers have contributed to.

The highly promotional retail landscape has conditioned shoppers to wait for sales, reports George Rosenbaum, pres. of Leo Shapiro & Associates, the Chicago-based research firm. As a result, full markup prices are becoming off-price—that is, the wrong price—and off-price stores are increasingly being perceived by consumers as "on-price."

Discount stores deliver only half the price-quality equation. Consumers polled by *CSA*/Leo Shapiro cited price/discount as the prime reason for shopping both off-price stores and discounters. But 14% of the consumers mentioned quality as the second reason for selecting off-pricers while the discount stores' trump card after price was convenient location. In fact, only 2% of all customers answered quality when asked why they shop discounters.

Shapiro's surveys have also found a direct link between apparel spending cutbacks and the consumer's propensity for shopping off-price. Four out of 10 customers trying to hold the line on apparel outlays shopped off-price stores last year vs. only 3 out of 10 who shopped off-price and reported they were not cutting back.

Off-price stores should continue to ride the crest of this pared-down-spending-plans wave. Some 78% of all adults aged 18-44 told *CSA*/Gallup Organization pollsters they are buying fewer apparel items than in the past. And running parallel to this trend is the steadily swelling intention of consumers to shop the off-price alternative (see chart).

"Off-price makes brand-name apparel an affordable lifestyle for many people," sums up George Rubin, sr. vp/gmm soft lines at Gold Circle. "Before it was a luxury." ☐

Consumer awareness of off-price growing

	% of all consumers aware of off-price stores		% of all consumers who have shopped in off-price stores		% of all consumers who will probably or definitely shop off-price in the future	
	1977	1981	1977	1981	1977	1981
Women	18.0	31.0	29.0	41.0	56.0	71.0
Men	13.0	24.0	19.0	30.0	47.0	61.0

Source: *CSA*/Leo Shapiro & Associates

Federation of Apparel Manufacturers. "Off-pricers buy in large quantities vs. the trickle down policies of most department stores. They pay promptly and there are no returns. What more can a vendor ask for?"

Counterattack: The answer for some, apparently, is plenty as vendors have begun counterattacking off-pricers. Many observers, including K mart itself, believe Jordache's suit against the nation's biggest discounter charging K mart with stocking counterfeit Jordache jeans, was simply a ploy to unmask the chain's source of supply.

And the FTC's nod allowing Pioneer to restrict transshipping of its goods "to any dealer who does not meet minimum dealer standards" could ultimately shake the off-price pipeline down to its underpinnings.

Many vendors, however, feel trapped. K mart, for example, approached Maidenform for goods for its in-store test and was turned down. The line appeared anyhow.

"We're really caught in the middle," says Alan Lesk, sr. vp at Maidenform. "We believe the availability of our goods at off-price stores is hurting our standing with department stores, but we've talked to our legal department and we don't feel there's much we can do about it."

Jack Wasserman of Fashion House, go-between reportedly supplying Designer Depot, believes the diverting brouhaha is a tempest in a teapot getting more exposure today because major players are moving into off-price. But if resources believe the "big stick" threats department stores are hurling their way, this tempest could quickly escalate.

"We will do more business with our friends," Edward Finkelstein, chairman/ceo of Macy's cautioned recently.

"Most department stores are adjusting their resource structures to eliminate vendors attempting to have their cake and eat it too," adds Allied's John Cullen. "We are minimizing our efforts with these resources."

While Cullen would not cite examples, Allied pres./ceo Thomas Macioce told a Morgan Stanley retail conference recently that Allied has dropped Levi's and is doing less business with Izod and more with Ralph Lauren.

Hardest hit: Few analysts doubt off-price will hit the department stores hardest. As a strategic response, observers recommend rebuilding private labels and signing licensing deals with resources to insure exclusivity. But not all keystone pricers will find these maneuvers practical.

"Selected stores like Bloomingdale's and Marshall Field's, for example, have a shot," says Allan Pennington. "It's the plain vanilla stores like Stern's and A&S that will have trouble."

Locking out diverted resources could be a counterproductive knee jerk, warns George Rosenbaum,

Possible expansion of K mart's in-store test has other off-pricers worried.

Who sells whom? Not us, all agree

☐ Vendors, whose favorite comeback to inquiries about off-price retailing is, "We are not supplying . . . ," aren't the only ones wondering how their goods are finding their way into off-price stores.

A *CSA* staffer headquartered in Chicago was asked when he found time to shop Syms, the eight-store metro New York off-pricer whose series of "Ss" logos adorned the inside pocket of his Austin Reed suit. "Who's Syms?" he answered. "I bought this for $90 at Eisenstein's [a single-store off-price entry in Chicago]."

"What?" screeched Marsha Carron of Syms customer relations. "That's impossible." Assured Syms' goods were being sold in Chicago, Carron denied any knowledge of her chain dumping merchandise. "If need be we just keep taking markdowns," she said. "We don't give slow-moving merchandise to charity or anyone else. Our charity is our customer."

An Eisenstein's insider was equally dumbfounded. Pressed, however, he conceded his source could also deal with Syms and that goods might have been misshipped.

And the plot really thickened when spokesmen for the manufacturer denied supplying either store. ☐

pres. of Leo Shapiro & Associates, the research firm. He suggests keystoners milk names, including their private labels.

"If department stores can create an infrastructure to buy a piece of the distribution action of the goods that their promotion creates demand for," Rosenbaum explains, "they can profit from the promotion by diverting these goods when they want to."

As sure as they are that department stores are most exposed to the off-price onslaught, analysts are equally sure discounters are more insulated from off-price pressure. "The low-end customer will always exist," says Pennington.

But is she big enough to support the overweight discount industry? There were 18,900 households for each discount store in 1970, points out Bruce Misset, retail analyst for Oppenheimer. By '80, this figure had slumped to 11,000 households per discount outlet.

Certainly, discounting's rapid growth in the last decade contributed to this squeeze and, by comparison, store expansion has now slowed to a trickle leading optimists to assert the problem has peaked. But nearly all demographers agree society is splitting into the "haves" and the "have nots" with the latter, the low-end customer base, shrinking.

During the 80's, the U.S. household population is projected to grow by 9%. The heart of the off-price market, households classified as upper income (those earning $25,000 or more annually in 1977 dollars), will represent 28.5% of all households by the end of this decade—a huge 54.1% jump on their share of the household population in '80.

"Even marginal income families," Misset points out, "are trading up slightly in price to buy a perception of quality. So what you'll have is a relatively small base of consumers buying only what they can afford."

Tom Murnane, director of shopping trends research for Management Horizons, feels upscaled stores will feel the heat most among the discounters. "They've traded themselves directly into competition with off-price branded apparel," Murnane says. "Consumers are trading up for quality and down for price and the fact is the middle is shrinking. Off-price makes that price trade-up less painful." ☐

Can regionals survive?

☐ Retail bankruptcies in 1982 ran 40% ahead of the year before. Analysts predict continued tough times for merchants in '83. Says Irwin Cohen, national industry director for retailing, Touche Ross & Co., "More marginal operators will go by the boards. We'll see the rich get richer, the strong get stronger."

Hardly a forecast fails to include predictions about consolidations and acquisitions of small, regional companies. Even more dire, many futurists see more bankruptcies, closings.

The heat from the brushfire expansion of the nationals such as R. H. Macy, Dayton Hudson and Wal-Mart is just too hot for the regionals to withstand, it is said. The former group's balance sheets remain strong and contain enough cushion to overcome recessionary pressures. They are able to increase market share while smaller, more vulnerable companies play cautiously.

During vibrant economic times, marginal retailers can slip into camouflaged success. But the experience of the last three years has more than amply demonstrated that companies that lacked a firm market niche and a sound balance sheet either folded, sold out or were acquired.

So what be the fate of regional stores? Expansion programs have brought the "big boys" into their once exclusive territories. Will they flourish via their abilities to more easily adapt to local preferences, or be consumed by the inferno?

Not only are the regional stores surviving, but many are also outperforming the nationals.

The evidence points to survival. To be sure, many regionals may fold in the coming years, but a *CSA* analysis of 24 publicly owned regional department, discount and variety store companies suggest that, for the most part, they have the financial stability, and the merchandising wherewithal to withstand the heat.

Indeed, some of the leading regional chains posted operating results for fiscal 1981 that many national chains would envy. Seattle-based Nordstrom's, for example, generated $221.25 in sales per gross square foot in its high-fashion specialty department stores. When one considers its five and dime origins, New York-based Lamston's' $96.80 sales per gross square foot is perhaps even more impressive, as is its phenomenal 53.7% operating income return on average equity. Ames discount stores of Rocky Hill, Conn., churned out a spectacular 13.1% operating profit to sales.

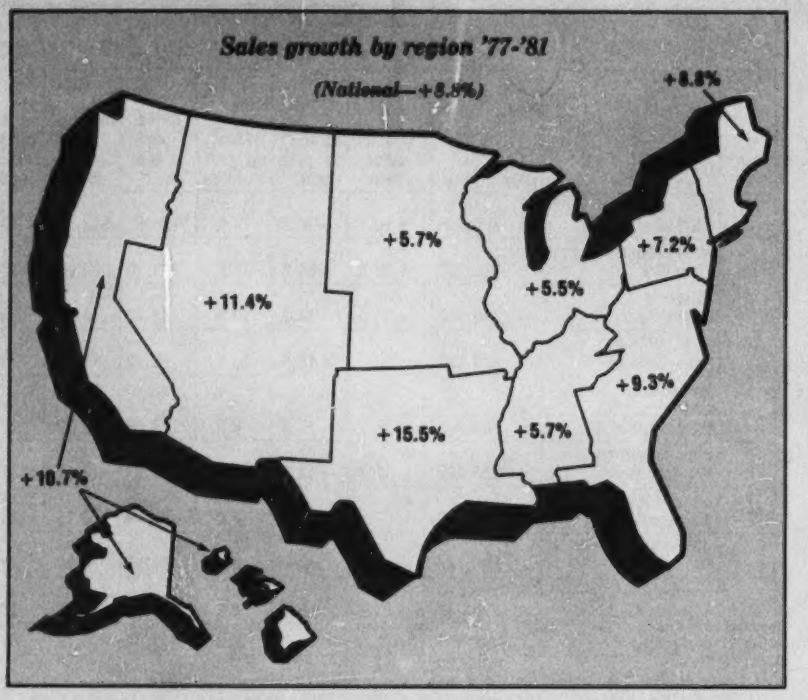
For the analysis, *CSA* defined a regional chain as one that does less than $1 billion in sales. Thus, chains such as Target and Wal-Mart, while regional in their locations, were excluded. For the variety store analysis, McCrory was considered a national chain because it operates in 31 states, even though its $762 million volume fell below the billion dollar standard.

CSA rated retailers in their respective tiers, using 10 key yardsticks: changes in sales and operat-

(cont'd on p. 35)

ing profit (sales minus cost of goods sold minus selling, general and administrative expenses) '81 vs. '80, operating profit to sales ratio, sales and operating profit per gross square foot, operating profit returns on average equity and total assets, compound sales and operating profit growth 1977-81, and the relative compound sales growth 1977-81 vs. GAF sales in their respective markets. This final yardstick provides a cleaner gauge of how good a retailer is. The basic idea is that a retailer that boosts sales 10% in a region where average GAF sales are up 5% has done a better job than the one who improves volume 12% where 10% is the norm.

The regionals were then ranked in order of best finish within each yardstick, with a "1" representing the best score. The chain with the lowest total for all the yardsticks was designated the best regional in its tier. □



Size is key to the keystone regionals

□ Regional department stores appear to be weathering the economic storms of the early 1980's, despite the fact that they face tougher challenges than their national counterparts.

Because of their smaller market bases, regionals must maintain sales velocity to remain profitable. And they must do it by increasing productivity within their current stores and through minimal expansion. National companies, on the other hand, have traditionally grown through expansion and acquisition.

Not only are the regionals surviving, but many are outperforming national giants like R. H. Macy & Co. and divisions of Associated Dry Goods. As a group, the nine regional department store companies analyzed by *CSA* generated higher earnings and returns than the nine largest nationals, even though sales growth and margins were closely aligned.

For the 1981 fiscal year ended in January '82, regionals posted a 13% sales gain compared to 12% for the top nationals. But profit growth was far faster. Although not precisely comparable, the regional composite operating profit gain of 33.3% is more than double the nationals' 14.4% increase in net earnings.

So what makes a regional chain stronger than its national rivals? After all, even national department store companies operate in a regional manner.

Size is the key to the regionals' strengths. At the same time as their smaller market allows them to more closely reflect regional demands from consumers and react more quickly to developing trends, they are all large enough to take advantage of buying strength and economies of scale that their national competitors do.

The ability to react more quickly to changing market conditions is reflected in the group's five-year compound sales growth rate of 12.3%, some 40% better than the national growth rate for general merchandise-apparel-furniture (GAF) sales tracked by the U.S. Department of Commerce.

Matching the national economic trends, regionals in the Sunbelt and the Far West led the pack and companies operating in the Midwest and New England rated poorest.

C. R. Anthony, long a leader in Oklahoma where one-third of its 299 junior department stores are located, finished tops in the overall rankings. With an expense structure closer to that of a discount chain, but with department store brands and margins, the company trailed only high-fashion Nordstrom's in operating profit per square foot.

Anthony's is also capitalizing on the regionals' strength by operating in mainly small towns. Nearly 60% of the company's stores are located in towns with less than 20,000 residents.

Sixty years after opening its first stores, Anthony's is a mature chain generating the second highest returns on both equity and assets of the nine companies tracked.

Seattle-headquartered Nordstrom's led not only regionals in sales per square foot, but virtually all department stores regardless of market scope. The store's 34 high-fashion department stores generated a phenomenal $221.25 per square foot in sales and $22.05 in operating income.

The company's highly refined decision-making system has paid tremendous dividends in sales and profit growth for the past five years. Since 1977, Nordstrom's has posted compound annual sales and operat-

C. R. Anthony tops regional department stores

Rank*	Chain	1981 sales (000 omitted)	% 1981 sales gain	% 1981 op. prof. gain[2]	% op. prof. to sales	Sales per gross sq. ft.	Op. prof. per gross sq. ft.	% op. prof. return on equity	% op. prof. return on assets	% compound op. prof. growth '77-'81	% compound sales growth '77-'81	% relative sales growth to market '77-'81
1	C. R. Anthony (Oklahoma City)	$ 366,805	+16.3	+38.3	11.9	$108.95	$12.95	70.6	41.8	+33.4	+20.1	+176.3
2	Nordstrom's (Seattle)	522,050	+28.0	+24.0	10.0	221.25	22.05	37.6	15.0	+20.1	+20.2	+188.8
3	Dillard's (Little Rock)	592,867	+25.9	+58.5	10.8	87.79	9.45	58.6	18.6	+32.5	+21.7	+140.0
4	D. H. Holmes (New Orleans)	220,997	+12.0	+10.0	13.5	88.22	11.92	70.8	57.3	+11.9	+12.7	+ 81.9
5	Woodward & Lothrop (Washington, D.C.)	334,843	+ 8.6	+15.8	8.5	109.89	9.32	27.3	10.0	+ 1.0	+ 7.7	+ 82.8
6	Elder-Beerman (Dayton, Ohio)	235,166	+15.3	−12.8	4.7	91.93	3.46	31.6	8.6	+15.7	+11.9	+216.4
7	Sage-Allen (Hartford)	56,858	+ 7.3	+12.3	4.0	93.46	3.74	18.8	8.3	−14.3	+ 9.4	+106.8
8	Alexander's (New York)	506,781	− 3.2	None[1]	2.5	131.52	3.28	21.9	7.1	− 2.0	+ 4.2	+ 58.3
9	Higbee Co. (Dayton, Ohio)	206,340	+ 1.9	− 6.2	4.3	67.08	2.88	17.3	6.6	− 5.5	+ 3.2	+ 58.2
	Composite	3,042,707	+13.0	+33.3	8.3	111.04	8.78	41.3	15.2	+15.7	+12.3	+139.8

[1]Loss reported in 1980. [2]Operating profit equals net sales minus cost of sales, selling, administrative and general expenses.
**Ranking based on all ratios except 1981 sales.*
Source: *CSA* research, annual reports, 10-K forms, U.S. Commerce Dept.

ing profit growth rates of 20.1% and 20.2%, respectively. Sales growth has been 88.8% faster than GAF sales for the Pacific area for the five-year period.

Dillard's, the 56-unit Little Rock-based store came in third with first place finishes in one-year operating profit gain and five-year compound sales growth. And while sales per gross square foot rated next to last, the company's operating income to sales ratio was third.

Spread through eight states, with more than half the stores in Texas, Dillard's is well positioned as the only department store in four out of five malls it operates in. In most cases Dillard's coanchors with one of the Big-3 catalog chains.

Elder-Beerman, located in recession-ridden Ohio, posted the highest growth rate compared to its market. But while the 23-unit chain has had steady sales growth, it trails in all other categories. Operating income was particularly hard hit by the poor economy in the East North Central region in '81. For the '77-'81 period, however, operating profit increased an average 15.7% per year, even though the decline in '81 was 12.8%.

C. R. Anthony generated the second highest returns on both assets and equity.

Alexander's, the once powerful New York City promotional department store has also fallen on hard times during the past five years. The 16-store chain was the only store tracked with an actual decline in sales from 1980 to 1981. Despite this decline, 1981 did see a return to profitability, albeit a modest one of $3.2 million on sales of $506.8 million. In 1980, Alexander's reported a $9.6 million loss.

Company executives are optimistic that Alexander's will be able to improve both sales and earnings in the coming years, despite the fact that the company trails far behind the Middle Atlantic regional compound growth rate of 7.2% and is in even worse shape compared to sales growth in the very robust New York City market. □

Regionals topple national discounters

☐ It is not particularly surprising that Caldor leads the list of regional discounters ranked by *CSA*. What is noteworthy, however, is the ongoing trend—exemplified by the Norwalk, Conn.-based chain—which finds large regional retailers replacing national discounters as *the* dominant force in individual markets.

The latest *CSA* rankings include 13 regional chains with sales of less than $1 billion each. Total 1981 sales of those ranked topped $4.9 billion—a 12.4% jump on 1980—while composite operating profits were up 5.4%.

With the demise of Woolco and K mart's financial difficulties, the regional discounters fill a vacuum left by the fiscal and merchandising failures of the nationals. K mart continues to feel the regional pinch, falling prey to smaller, more flexible and innovative competitors.

A financial comparison of K mart and Canton, Mass.-based Hills illustrates the growing power of regional discounters.

While both chains' 1981 sales increase was just about equal (Hills, up 16.8%, and K mart, up 16.4%), Hills scored a 12.7% operating profit gain while K mart dropped 22.6%. But Hills' fiscal superiority doesn't end there. The chain's operating profits to sales ratio was 6.8% compared with K mart's 2.2%; Hills' compound operating profit growth (from 1979 to 1981) was 17.5% while K mart declined 11.8%, and Hills' operating profit return on assets was 29.0% compared with K mart's 5.3%.

Large regionals are replacing national discounters as the dominant force in specific markets.

Smaller regionals are also wary of their steamrolling peers. For example, Henderson, N.C.-based Roses (which has begun to reverse a flat sales and profit picture) finds Wal-Mart expanding into its market with the 1981 purchase of the Kuhn's-Big K chain. Indianapolis-based Danners also closely tracks the growth of Wal-Mart, much as it once watched K mart's meteoric growth.

The large regionals, in fact, are the new powers in discount retailing as the chains dominate specific geographic regions. These chains, with Caldor as a leading example, expand within a geographic area rather than on a national level.

Wal-Mart, which was not included in the *CSA* rankings because its sales were more than $1 billion, has already parlayed this formula

Caldor repeats as regional leader among discount stores

Rank*	Chain	1981 sales (000 omitted)	% 1981 sales gain	% 1981 op. prof. gain[3]	% op. prof. to sales	Sales per gross sq. ft.	Op. prof. per gross sq. ft.	% op. prof. return on equity	% op. prof. return on assets	% compound op. prof. growth '77-'81	% compound sales growth '77-'81	% relative sales growth to market '77-'81
1	Caldor (Norwalk, Conn.)	$ 779,223	+16.9	+ 29.1	7.4	$122.83	$9.05	N.A.	N.A.	+19.6	+18.5	+231.3
2	ShopKo (Green Bay, Wis.)	294,700	+25.9	– 7.5	5.1	109.88	5.56	N.A.	N.A.	+15.7	+29.4	+515.8
3	Hills (Canton, Mass.)	832,657	+16.8	+ 12.7	6.8	121.73	8.23	N.A.	29.0	+17.5	+16.2	+187.5
4	Hecks[2] (Charleston, W. Va.)	364,870	+ 9.6	– 6.9	6.8	90.36	6.12	N.A.	N.A.	+17.7	+20.9	+224.7
5	Danners[2] (Indianapolis, Ind.)	131,837	+24.9	+237.0	4.2	71.05	2.99	N.A.	10.5	+12.1	+16.7	+303.6
6	Duckwall-ALCO[2] (Abilene, Kan.)	199,103	+14.9	+ 10.4	7.5	80.74	6.03	48.9	16.1	+17.2	+11.2	+196.7
7	Ames (Rocky Hill, Conn.)	337,692	+ 4.0	+ 1.2	13.1	68.39	8.94	101.8	36.4	+11.8	+18.7	+223.8
8	Venture (St. Louis, Mo.)	611,500	+ 9.0	+ 41.2	2.7	115.83	3.03	N.A.	6.3	– 3.8	+15.5	+276.8
9	Jamesway (Secaucus, N.J.)	300,246	+ 8.5	+ 3.7	4.6	85.30	3.97	33.2	14.2	+ 2.4	+15.4	+213.9
10	Roses (Henderson, N.C.)	594,760	+13.0	+ 36.0	3.0	69.50	2.07	23.1	13.4	+ 3.4	+ 6.3	+ 67.7
11	Grand Central (Salt Lake City)	255,878	+ 8.3	– 1.9	0.8	97.51	3.40	7.1	1.6	– 2.3	+ 9.7	+ 84.1
12	G. C. Murphy (McKeesport, Pa.)	817,823	+ 1.8	– 18.0	4.8	67.47[4]	3.23[4]	30.9	13.0	– 1.6	+ 5.3	+ 73.6
13	S. E. Nichols (New York)	238,300	+ 6.6	None[1]	– 0.4	62.38	1.26	N.A.	N.A.	–23.7	+ 4.9	+ 68.1
	Composite	4,979,939	+12.4	+ 5.4	6.2	76.51	4.78	N.A.	N.A.	+ 7.9	9.1	+183.4

[1]Loss reported in 1980. [2]Includes all general merchandise divisions. [3]Operating profit equals net sales minus cost of sales, selling, administrative and general expenses. [4]CSA estimate. N.A. = not available.
**Ranking based on all ratios except 1981 sales, return on equity and return on assets.*
Source: CSA research, annual reports, 10-K forms, U.S. Commerce Dept.

***The highest-ranked regional,** Caldor should top the $1 billion mark in sales.*

into a discounting empire in the Sunbelt/Southwest region. And as a regional, Wal-Mart has an edge on national competition such as K mart and T.G. & Y. The company is large enough to flex its buying muscle while small enough to quickly react to market variations.

But most of the regionals tracked by *CSA* fared well when retail sales growth was compared with general merchandise, apparel and furniture (GAF) statistics released by the U.S. Department of Commerce. National compound sales growth (from 1979 to 1981) averaged 8.6% compared with the regionals' 9.1%.

Only four chains—Roses, Salt Lake City-based Grand Central, G. C. Murphy and S. E. Nichols—fell below the Commerce Department's GAF growth rate for individual regions.

The following are the top chains:

• Caldor: The highest-ranked regional in the *CSA* survey, Caldor should top the $1 billion sales mark this year as it expands into the Baltimore market and Long Island. Caldor led the rankings in three vital classifications with $122.83 sales per gross square foot, a 19.6% compound operating profit growth rate, and a 29.1% increase in 1981 operating profits.

• Shopko: The Green Bay, Wis.-based discounter's operating profits dropped 7.5% in 1981, but the chain still managed to finish second in the rankings by showing strength in the four-year financial yardsticks. Shopko's compound operating profit was up 15.7% and its compound sales growth increased by 29.4% from 1979 to 1981. The discounter's sales grew about five times the rate of retail sales in the region.

• Hills: The no-frills discounter continues to show financial strength. Its sales per gross square foot was $121.73 (second only to Caldor). Operating profit per gross square foot was $8.23 and compound operating profit growth from '79-'81 was 17.5%.

• Danners: It's not easy being a struggling discounter in the economically deprived Midwest, but in 1981 Danners managed to reverse its fortunes by scoring a 24.9% sales gain and a 237.0% operating profits increase. But hard times continued for the Indianapolis discounter in 1982. Through three quarters, the company (including its food-service division) incurred a net income loss of just over $1 million due, officials said, to smaller margins and increased interest expense.

• Ames: Although the Rocky Hill, Conn.-based chain finished No. 7 in the rankings, Ames scored high in some vital fiscal areas. The chain's operating profit-to-sales ratio was the survey leader at 13.1% (Caldor, for example, was 7.4%), operating profit per gross square foot was $8.94 and operating profit return on equity was a whopping 101.8%.

• Venture: The May Department Stores division returned to profitability in 1981. Although Venture's compound operating profit growth was down 3.8%, profits increased 41.2% in 1981. The chain also scored the third highest sales per gross square foot figure in the survey, churning out volume at a $115.83 clip. □

***Conn.-based Ames** churned out a spectacular 13.1% operating profit to sales.*

Lamston's had the best compound operating profit growth of all variety units.

Lamston's leads variety retailers

☐ In the cauldron that is New York, Lamston's continues to be icy hot.

The 31-store chain with all but three of its units in New York City led its counterparts in 6 out of 10 yardsticks. Indeed, its performance more closely resembles that of R. H. Macy than other variety stores.

Lamston's had the best compound operating profit growth of all variety stores. Indeed, its 21.8% increase was the third best of all the regionals studied, trailing just C. R. Anthony and Dillard's.

Productivity has been a key to Lamston's ability to turn an 11.5% compound sales growth into the nearly double operating profit gain. Selling, general and administrative expenses rang in at just 22.7% of sales a year ago, vs. 25.5% in '77, while its gross margin of 33.4% in '81 compared to the 33% in '77.

Charlotte, N.C.-based Family Dollar and Dollar General of Scottsville, Ky., represent a hybrid variety store with a discount flavor. Their small store size, limited sku's and limited price lines—Family Dollar has a $14.99 cap on almost all merchandise—placed them in *CSA*'s variety store analysis.

Both dollar chains blanket the Dixie States, though Dollar General also has many stores in the Central States, Pennsylvania, Missouri and Oklahoma. But they have somewhat divergent leasing practices.

Dollar General goes for short-term opportunistic leases, generally obtained at low rentals from landlords eager to get some return on vacant space. Family Dollar follows more traditional leasing arrangements. Dollar General wound up its prior fiscal year with rental expense for its 826 stores equal to 2.6% of sales; Family Dollar's 529 store leases cost it 3.1% of sales.

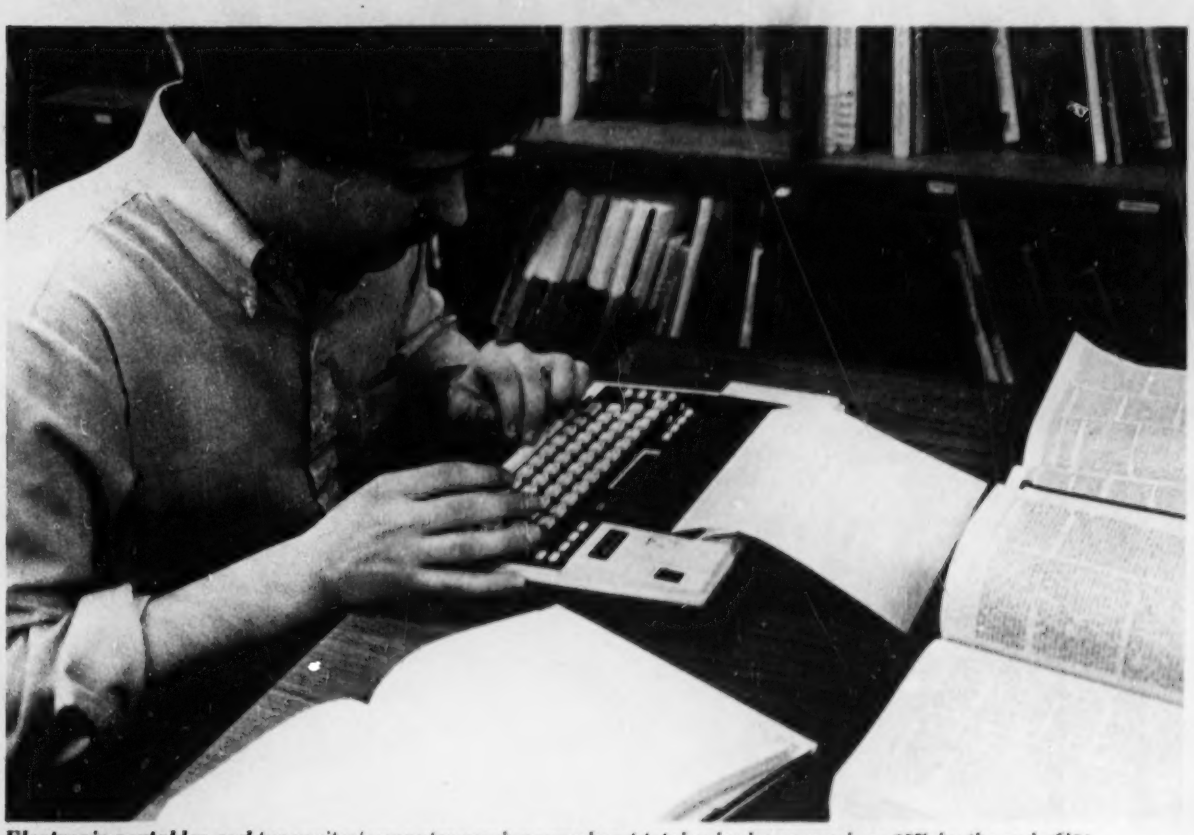
Family Dollar edged out Dollar General for second place. It achieved that ranking through consistent second or third place finishes in the 10 yardsticks. It was as consistent as its everyday basic merchandise philosophy.

Dollar General, which has long been a leader in opportunistic buying of irregular and closeout merchandise, recorded four first place rankings, but its fifth place finish in compound operating profit growth put it behind Family Dollar. ☐

Lamston's flexes muscle as top regional variety chain

Rank*	Chain	1981 sales (000 omitted)	% 1981 sales gain	% 1981 op. prof. gain[1]	% op. prof. to sales	Sales per gross sq. ft.	Op. prof. per gross sq. ft.	% op. prof. return on equity	% op. prof. return on assets	% compound op. prof. growth '77-'81	% compound sales growth '77-'81	% relative sales growth to market '77-'81
1	Lamston's (New York)	$ 42,631	+11.3	+16.7	10.7	$96.80	$10.33	53.7	35.6	+21.8	+11.5	+159.7
2	Family Dollar (Charlotte, N.C.)	207,419	+14.1	+13.7	8.6	63.23	5.42	35.1	20.5	+13.1	+15.3	+182.1
3	Dollar General (Scottsville, Ky.)	245,453	+17.0	+18.9	6.2	62.76[2]	3.86[2]	29.1	16.8	9.2	+17.3	+206.0
4	Sprouse-Reitz (Portland, Ore.)	151,573	+ 5.5	– 8.4	5.9	38.90	2.29	21.2	13.8	+14.2	+ 6.9	+ 83.3
5	Cornet (Pasadena, Calif.)	37,498	+ 2.2	–48.4	3.7	25.00[2]	0.92[2]	5.8	4.4	+10.7	+ 3.5	+ 32.1
	Composite	684,674	+12.2	+ 4.9	7.0	52.56	3.66	27.0	16.7	+12.6	+12.8	+145.5

[1]Operating profit equals net sales minus cost of sales, selling, administrative and general expenses. [2]CSA estimate.
**Ranking based on all ratios except 1981 sales.*
Source: CSA research, annual reports, 10-K forms, U.S. Commerce Dept.



***Electronic portables and** typewriter/computer combos may boost total sales by as much as 35% by the end of '84.*

End in sight for typewriter slump

☐ Typewriter sales may be headed for a slump this year as potential buyers await better economic times. But retailers say this trend could reverse itself once low-priced electronic models reach mass distribution. Some go so far as to say a new generation of electronic portables or typewriter/computer combos may boost total sales to a new plateau—up as much as 35% higher by the end of next year. (See accompanying story.)

Seven out of 10 potential purchasers say they will postpone buying a new typewriter if they cut back on their spending this year, according to the *CSA*/Leo Shapiro study of Consumer Buying Intentions. While many potential buyers are fairly optimistic about an improvement in their own financial positions and that of the nation by year's end, they are less certain of this than shoppers for most of the other products tracked.

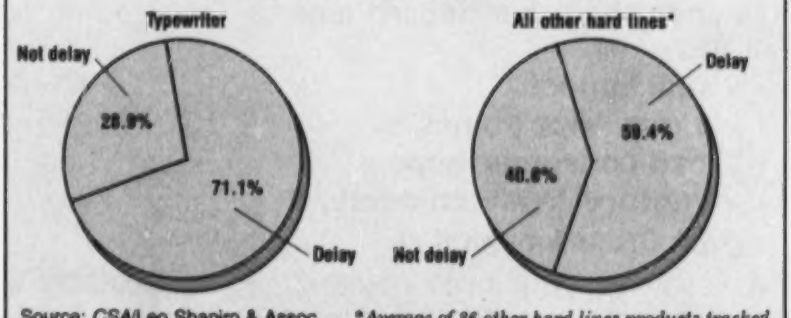
But this slump in demand is temporary, according to GM chain buyers. Most agree that typewriter sales will snap back once consumers feel the economy is turning around.

"Right now sales are being hurt by the economy, but [typewriter] recovery should follow in the early part of the overall national pickup," predicts Sears buyer Albert Chamberlain.

Most retailers also agree that only the home-use market will be affected by a continued economic slowdown. More than half of all portable typewriters are sold for use by college-bound students, sources estimate, and these sales are not ex-

Typewriters hit by spending retreat

% consumers who would delay buying if they curb spending



Source: *CSA*/Leo Shapiro & Assoc. **Average of 36 other hard lines products tracked*

pected to fall off. "When it comes to the student, most parents are going to make the purchase regardless of how it affects their disposable income," says Chamberlain. "They may not buy the most expensive model, but they will spend a couple of hundred dollars for a well-made electric portable."

Because most typewriters are purchased as gifts, or semigifts from parents to students, consumers defer purchases waiting for a sale price. "A typewriter is a planned purchase," notes Chamberlain. "So once people decide they need one, they'll shop around and then wait for a price promotion."

Sold primarily at Christmas, typewriters do have two strong secondary selling seasons: graduation and back-to-school. GMers note that between 40% and 50% of sales come during the Christmas season,

Hotter prospects have older children

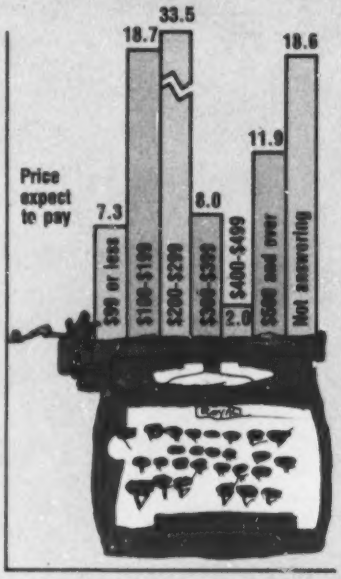
Age of children	% of consumers who bought or might buy*
Under 3	10.5
3-5	7.8
6-11	21.5
12-17	33.7
Not answering	47.1

**Totals more than 100% due to multiple answers.*
Source: *CSA*/Leo Shapiro & Assoc.

with graduation second with about 25% of sales. "That's when we run our major promotions," adds a New York department store source, "although we almost always include one model in all our circulars."

Typewriter prices have stabilized in the $200 to $250 range and there appears to be little chance that this will change. "Sure, if the electronic printers like Brother's EP-20 or Sears 300 catch on, then prices could come down," notes Chamberlain. "These units don't have many mechanical parts and that's been the one thing keeping prices up. Even a modern electronic machine is still about 65% mechanical."

One-third of all *CSA*/Leo Shapiro survey respondents say they expect to pay between $200 and $299 for a typewriter. "That appears to be the



Price expectations well within range
% consumers responding

Source: *CSA*/Leo Shapiro & Assoc.

acceptable range for a portable typewriter," says a store source at Caldor, the New England upscale discounter. "Customers seem to have a price-value expectation of electrics around $200. We do most of our business when we promote $229.95 models for $199.99."

While prices may be stable, each new model includes more features for the dollar. But it won't be very long before the average family will be able to afford a portable electronic with most of the features of office machines, retailers note.

"You have to appreciate that there haven't been many changes in typewriters for years," Chamberlain says. "The last big addition was putting a correction system in the portables, and that was in 1977. Sears busted the market wide open with that then, but until electronics began dropping in price, there really wasn't much new to attract customers. Now, I think we'll see daisy wheel portables down to $250 by 1984. And when they reach that point where they're affordable for the mass market, business is really going to pick up."

Some fears: At the same time buyers look optimistically ahead to the affordable electronic portable, they voice fears that the home computer is developing so fast that some typewriter sales will be lost to mini-computers. Word processing programs are the most popular software purchase by home computer owners and with printer prices coming down, it will soon be only a slight price trade-up from an electronic portable typewriter to purchase a home computer, word processing package and printer.

Chamberlain says that by midyear there will be portable electronic typewriters that can be connected to home computers and used as printers. "I don't know how much impact this will have on typewriter sales, but there is going to be some," he says.

Computer manufacturers project their printer-word processor systems will take as much as 20% of the typewriter market by the end of 1986. Notes one manufacturer's representative, "It's just a matter of time before prices come down enough for the mass market."

And while typewriters have become a virtual necessity for today's college student, at least one university plans to require students to bring a home computer with them in 1986.

Just as the electric portable has dominated the market since it was introduced in 1957 (today more than 80% of all portables sold are electric), microchip electronics will replace the electric typewriter during the 1980's. "It will be years before electric portables drop below 50% of sales," adds Chamberlain, "but the trend is obvious." □

Will minis spur on typewriter volume?

□ Can a single revolutionary product revitalize what has been a stable category for nearly 20 years?

That's the question facing typewriter merchandisers as the new electronic printer-typewriter manufactured by Brother International enters the market.

The new machine, model EP-20

Video game sales skyrocket, despite Atari's shockwaves

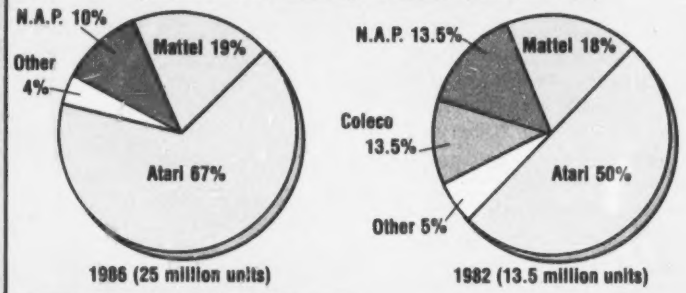
☐ When Warner Communications announced last December that its Atari division would generate considerably lower earnings than projected, the entire video game industry was stunned. Had the video game business peaked? Was it now heading downhill? Would the bottom drop out of retail sales in early 1983? These were just some of the questions being asked by GMers.

Despite the seemingly bad news for Atari, video game sales are still projected to surge ahead through the 1980's. Chain merchandisers are projecting sales gains of up to 150% for this year. Today's base of nearly 14 million households with video game consoles should double in the next three years, and some industry watchers say more than 60 million consoles will be in place by the end of the decade.

As the home penetration of video games continues to expand, Atari will still account for more video console sales than any other company, and nearly 90 million Atari-compatible game cartridges are expected to be sold this year alone. Other systems, like Mattel's Intellivision and ColecoVision, will increase in importance as their sales match or surpass the total growth rate. (See chart.)

Atari will dominate video games through the 1980's

(Market share of installed game consoles, 1982 and 1986)



Source: *CSA* research, LINK Resources

"Fortunately," says the electronics buyer for a Los Angeles-based department store chain, "there are only four game systems, so we can stock all of them. The same is true for the cartridges. There are only about 10 strong companies designing software for the video games."

In just two years, the number of cartridges sold for each game machine in use has risen from six to nine and retailers say the new generation of games should raise this number to between 12 and 15 by the end of 1983. "The games are getting better," says a Chicago-based department store buyer, "so we're seeing the same customers coming back. We thought sales would drop off to the customer who's had his console for a while, but that isn't happening."

The number of cartridges sold in 1983 is expected to reach between 114 million and 130 million, virtually double 1982 sales of 65 million units.

At retail, video game sales will fall between $5 billion and $6 billion by year's end with cartridges accounting for nearly 60% of total volume. ☐

"They would much rather buy a game cartridge for their Atari and then use it at home, or take it to a friend's house. In our trade areas, we're seeing a lot of 'swap clubs' being set up by the kids."

He points out that at $19.99, the pocket-size games are only a few dollars less expensive than most cartridges made by major and second-tier manufacturers. Across the country, competition has become so intense that even best sellers like Activision's Pitfall and Atari's E.T. games are being regularly promoted in the $24.99 to $29.99.

The one bright spot on the hand-held horizon appears to be the Palmtex PVS (palmsized video-game system) introduced at last month's Consumer Electronics Show in Las Vegas. Priced at $49.95 for the hand-held console and one video cartridge, the system offers color graphics, three-dimensional effects and variable skill levels. Additional game cartridges carry suggested retail prices of $19.95. Department stores, including divisions of R. H. Macy Co. and Carter Hawley Hale, will carry the units once production begins later this year.

For table-top mini-arcades, the future appears to be less positive. Chains in all major markets saw poor Christmas sales of the mini-arcade games despite heavy national TV advertising during the months before the holidays.

"I think they will maintain some sort of presence in the toy market," says the Pennsylvania buyer, "but there won't be any growth or real strength unless price points come down considerably. At Christmas, the 'magic price point' was $49.99 and that was very close to our cost." Despite the discount pricing, he says sales were weak.

"We promoted Coleco's Donkey Kong at cost earlier in the fall and did fairly well, moving about 400 units during the sale," he adds, "but sales began dropping after that and there wasn't a upturn at Christmas."

***Parents of young kids** are the prime prospects for purchasing children's apparel sewing patterns.*

Kiddie patterns ride doldrums up

☐ Children's apparel, traditionally one of the last discretionary items lopped from consumer shopping lists when times get tight, appears to be under severe pressure.

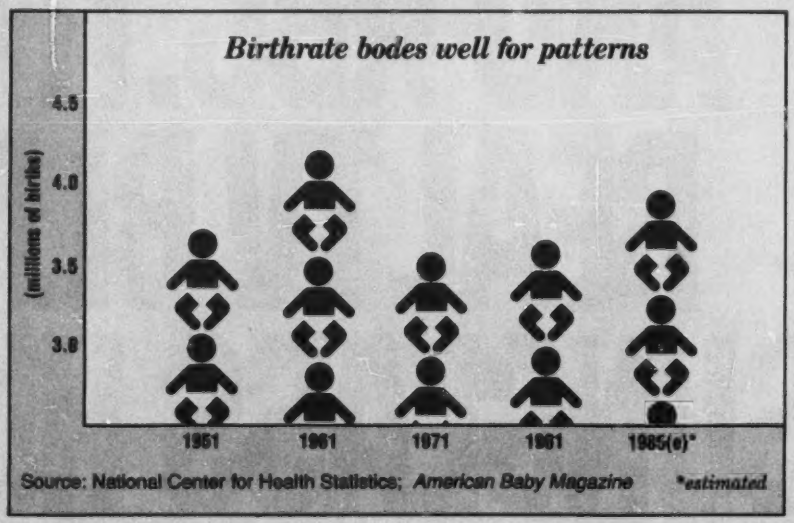
More than half of the potential children's overall shoppers and 57.4% of the prospective children's sleepers customers polled for *CSA*'s Consumer Buying Intentions Study by Leo Shapiro & Associates report cutting back on clothing purchases in recent months. And these are the two largest spending retreats noted among the apparel items tracked for the study.

That doesn't necessarily mean, however, that the kiddies are going without. Retailers polled by *CSA* report a strong upswing in sales of children's apparel sewing patterns within the last six months. And many point to the economic doldrums as the prime motivator behind the upswing.

"Sales in dollars and yardage in the children's area are up significantly," says Michael Feuer, vp/marketing for Fabri-Centers of America, the Ohio-headquartered fabric specialty chain. "Traditionally a small part of our sewing business representing about 5% of sales, the children's area accounted for 20% of our total business last year."

"The increase in children's pattern sales is a direct reflection of a more economy-minded homemaker who is willing to invest time to save dollars," adds a spokesman for the McCall Pattern Co.

These savings can tally up to a sizable sum. Average annual outlays for outfitting an urban child is $119.96 and only slightly lower for a rural child at $116.24, according to 1981 figures compiled by the U.S. Department of Agriculture. Even before the tot reaches school age,



when apparel outlays can jump upward of 40% higher, parents spend an average of $599.80 on the apparel needs of urban children and $581.20 for rural kids through the age of 5.

Facing these costs, home sewers are taking matters into their own hands to salvage budgets. One study indicates that a girls' dress size 4-6x carries a price tag ranging from $26 to $52 at a department store while the cost to make the same garment runs from $6.50 to $9 for the home sewer in roughly 2½ to 3 hours (see chart).

"Women who are proficient at sewing [for themselves] are more apt to sew for their kids," notes Feuer. "They know the satisfaction and economic advantages are worth the time invested."

But cost pressures are only one of the factors spurring the upswing in sales of children's apparel patterns. Other factors indicate it's more than a knee-jerk reaction to the economy. Some credit the trend among women to have children later in life for the volume jump.

"Saving money on children's apparel is certainly a factor, but not the only one," says Lois Mueller, public relations director for the Framingham, Mass.-based specialty store, The Fabric Place. "Many women, especially those who start their families later in life, want everything to be special for their children. They want to make clothing for them."

Simple demographics are also prodding on sales, and further indicate that the trend will continue. The baby boom generation, born between 1946 and 1964, is in its prime childbearing years—generating an echo baby boom of its own.

For example, birthrates peaked in 1961 when nearly 4.3 million children arrived, according to the National Center for Health Statistics and *American Baby Magazine*. Ten years later, the rate had slumped to under 3.6 million births. In 1981, however, the birthrate had rebounded to just over 3.6 million babies and projections are that 3.8 million children will be born in 1985.

Pattern makers have not ignored this shift. A spokesman for Vogue/Butterick Pattern Co. reports the supplier has expanded its selection of children's apparel patterns. "With a 30% sales increase in 1982, children's pattern sales now account for 15% of our total pattern sales," the spokesman notes.

This company insider also estimates that 50% of all sewing customers have children at home and that these parents do sew.

The *CSA*/Shapiro study buttresses this analysis that parents of young children are prime sewing pattern prospects. Households with children under the age of 5 represented only one-fifth of the polling base, but more than one-third, 35.7%, of the past year and potential sewing pattern shoppers.

Retailers, especially specialists, are moving to meet this market. The Fabric Place recently introduced two classes—Sewing for Children and Tots and Toddlers—designed to help the beginner and slightly experienced sewer make clothing for her children. Both classes are six-week, 2½-hour sessions for $35.

"Approximately 33% of the 50,000 patterns sold in 1982 were for children," reports Lois Mueller. "That's a 13% increase over the previous year." □

'A stitch in time' saves sizable bucks

Girls' apparel size 4-6x	Department store price range	Estimated cost to make*	Estimated sewing time (in hours)
Dress	$26.00-$52.00	$6.50-$9.00	2½-3
Blouse	$10.00-$20.00	$5.50-$7.00	1½-2
T-shirt	$ 7.50-$14.50	$2.00-$4.00	½
Jumper	$18.00-$24.00	$7.50-$9.50	2
Skirt	$16.00-$22.00	$3.50-$5.50	1

**Cost includes pattern, fabric and notions*

Source: Risdon Corp.

There's a tomorrow for 'Annie' patterns

□ After 2,377 performances, countless road shows and a knock-off movie, the Broadway play *Annie* finally called it quits in early January. But the hit play's closing hasn't shut the books on licensed Annie apparel sewing patterns.

McCalls is offering patterns for an Annie line that includes her recognizable red dress for $2.25, her sailor dress for $2.50 and her nightgown for $2.25.

"The tremendous success of our E.T. Halloween costume prompted the expansion into the children's area," says Betty Tornini of McCalls. "These new lines are fueling the popularity of children's patterns."

Retailers, too, credit the jump in interest in children's lines to the curly redheaded orphan and other recognizable "personalities" such as the Extraterrestrial and Sesame Street characters. All have been incorporated into McCalls' children's pattern program.

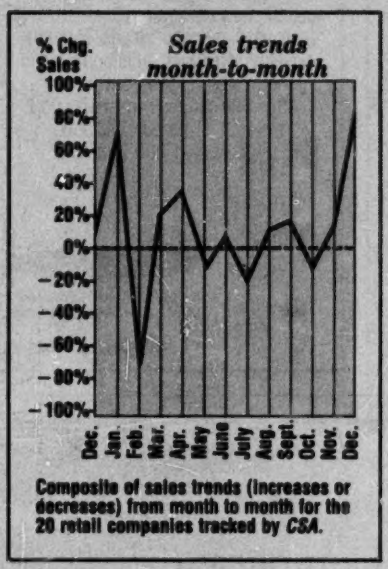
"Licensed patterns are doing well," says Lois Mueller of The Fabric Place, adding that peer pressure makes these items popular with kids. "Between TV, toys, books and movies, children are bombarded with information. They are extremely aware of what is available and they ask for what they want. Clothing is just a natural step. Kids want to wear the same clothing they see on TV and in movies."

Some retailers queried by *CSA*, however, question whether Annie's customer-drawing appeal will dim along with the floodlights. Perhaps, but maybe only temporarily. A sequel to the play, simply called Part II, is in the planning stages. □

We wish you a very 'mediocre' Christmas

Retailers waited and waited and finally received their recession-year holiday gift—a late-hour buying spree that salvaged a potentially disastrous Christmas shopping season. "In general, we were expecting a mediocre Christmas," noted Goldman Sachs analyst Joe Ellis, "and that's what turned out."

Merchants tracked in *Chain Store Age General Merchandise*'s sales survey scored a 6.9% December sales increase compared with a 12.0% hike during the same period in 1981. The nation's top five retailers, however, had little to be pleased about. Combined December sales for Sears, K mart, J. C. Penney, Federated and F. W. Woolworth were up a paltry 4.4%.



Composite of sales trends (increases or decreases) from month to month for the 20 retail companies tracked by *CSA*.

But it wasn't all bad news. Some department and discount store chains reported strong Christmas season gains.

New York-based Mercantile increased year-to-year sales by 12.8% (while opening only two new stores) and year-to-date sales by 12.1%. Federated, Dayton Hudson and St. Louis-based May Dept. Stores posted increases of 13.4%, 11.9% and 10.3% respectively.

A big surprise was Montgomery Ward which reported a 6.2% December increase after a 0.5% drop in November. In a prepared statement, Ward ceo Stephen Pistner credited strong sales in the Dallas, Los Angeles, Chicago and Portland metropolitan markets for the December surge.

Among discounters, St. Louis-based Venture reported a December 11.8% same-store sales increase. The May Dept. Stores' division's sales were buoyed by a post-Christmas shopping rush, according to a company spokesman.

Other top performers were Minneapolis-based Target with a 13.0% sales jump, Mervyn's with a 20% hike and Norwalk, Conn.-based Caldor (not included in the *CSA* survey) which, according to sources, scored a 10.0% same-store increase. Wal-Mart, the Bentonville, Ark.-based discounter, reported a 8% same-store increase compared with a 9% December 1981 sales jump.

Ho, ho, hum December sales

		DECEMBER SALES*		STORES		11-MO. SALES*		
MAJOR CHAINS	% change	1982	1981	1982	1981	1982	1981	% change
SEARS[1]	+ 2.9	2,784,483	2,706,650	832	851	18,917,229	18,480,070	+ 2.4
PENNEY	+ 2.5	1,950,000	1,903,000	2,070	2,099	10,201,000	10,100,000	+ 1.0
WARD[1]	+ 6.2	899,100	846,920	389	389	5,282,482	5,383,806	− 1.9
FEDERATED[2]	+13.4	1,405,100	1,239,100	420	N/A	7,216,900	6,588,300	+ 9.5
DAYTON HUDSON	+11.9	1,047,769	936,299	984	926	5,197,040	4,577,722	+13.5
MAY DEPT. STORES	+10.3	667,100	605,000	1,394	1,271	3,450,000	3,230,000	+ 6.8
CARTER HAWLEY HALE	+ 9.3	580,600	531,000	1,027	948	2,865,100	2,705,300	+ 5.9
MERCANTILE	+12.8	241,439	214,136	85	83	1,341,762	1,196,891	+12.1
K MART	+ 0.8	2,760,352	2,737,292	2,425	2,380	15,771,819	15,545,721	+ 1.5
WOOLWORTH	+ 9.2	1,374,213	1,258,255	N/A	N/A	7,069,754	6,856,542	+ 3.1
HOUSEHOLD MERCH.[2,3,5]	+ 2.8	394,647	383,979	3,765	3,856	2,761,437	2,731,924	+ 1.1
WAL-MART	+25.8	507,000	403,000	552	491	3,140,000	2,268,000	+38.4
T.G. & Y.	+11.0	334,583	301,393	901	932	1,998,626	1,789,593	+11.7
ZAYRE[4]	+18.2	353,751	299,162	627	581	2,043,059	1,719,279	+18.8
MURPHY	− 6.8	132,829	142,565	423	440	777,046	773,367	+ 0.5
ROSE'S	+14.7	109,558	95,542	239	234	630,992	570,709	+10.6
MELVILLE	+19.6	500,842	418,884	5,482	5,154	3,218,367	2,715,247	+18.5
TANDY	+23.2	372,770	302,586	N/A	N/A	2,093,935	1,744,935	+20.0
EDISON BROS.	− 5.3	121,923	128,737	2,169	2,114	916,052	951,436	− 3.7
TOTALS & AVERAGES	+ 6.9	16,203,476	15,152,187			92,893,974	88,139,249	+ 5.4

**000 omitted. N.C. = no change. N/A = not available.*
[1]Store number for full-line outlets only. [2]Plus 2,818 franchise stores (vs. 2,875 a year ago). [3]Includes T.G. & Y. sales. [4]Includes 264 Zayre stores (vs. 260 a year ago), 277 Hit or Miss stores (vs. 257) and 86 T. J. Maxx stores (vs. 64). [5]Excludes supermarket sales.

Here we go again, one consultant says

Now's the time when retailers look ahead and eagerly anticipate better sales ahead. But one top retail consultant says GM chains have seen the future and it doesn't look that good.

Irwin Cohen of Touche Ross predicts first half 1983 sales will be flat or only slightly ahead of an overall dismal '82. He notes that unemployment and "problems in our basic industries" will continue to hold down consumer spending.

For the second half of 1983, Cohen is "cautiously optimistic." The key to a solid volume showing, Cohen notes, is rebuilding consumer confidence.

There is, however, an exception. "Off-price retailing is worth two multiples on the stock price," Cohen quipped.